GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3125
ANSWERED ON:12.08.2005
SHARE DEPOSITORY SYSTEM
Manvendra Singh Shri

Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government are aware that according to a survey report received by the Government in April 2005, the share depository system introduced by the Securities and Exchange Board of India (SEBI) in 1996 for attracting small investors has resulted in exactly opposite of the market regulator`s goal;

(b) if so, the details thereof;

(c) the deficiencies identified in this regard; and

(d) the corrective measures taken or proposed to be taken by the Union Government in this regard ?

Answer

MINISTER OF THE STATE IN THE MINISTRY FINANCE (SHRI S.S.PALANIMANICKAM)

(a) to (c): Under a Technical Assistance Agreement with the Asian Development Bank, a national sample survey was conducted to, interalia, study the income, expenditure and savings behaviour of the Indian labour force. The data base generated by this survey is in public domain and can be accessed at www.finmin. nic.in. One of the findings of the survey is that though different parts of India behave differently when it comes to investing the money, however, fixed income investments predominate in the preferences of savings instruments. The survey also revealed that this particular saving behaviour is dependent on different investment goals, such as, investment planning, planning for future expenditure, planning for retirement purposes etc. There has been no comment on the deficiencies of the depository system in the survey report. The number of investor accounts in the National Securities Depository Limited (NSDL) was 64.74 lakhs in May 2005 as against 53.53 lakhs in May 2004. The number of investor account with Central Depository Services Limited (CDSL) was 9.05 lakhs in May 2005 as against 5.65 lakhs in May 2004.

(d): The objective of the Government and the Securities and Exchange Board of India (SEBI) is to ensure that capital markets operate in an orderly, transparent, safe and fair manner and that the interest of the investors are protected. SEBI has taken several surveillance and risk management measures for protecting market safety and integrity. SEBI keeps under constant watch the developments in the capital markets in consultation with the stock exchanges, depositories and other agencies for detecting and preventing any manipulation and taking deterrent action.